



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

May 2004 Summary

U.S. Economy: The U.S. economic recovery remains strong. The ISM indices for both manufacturing and non-manufacturing have remained above 60 since January. The Conference Board's index of leading economic indicators rose in May and has not fallen in over a year. Industrial production reported its second straight strong monthly increase and is up 6.3 percent from a year ago. Durable goods fell unexpectedly from a month ago but are still up sharply from a year ago. Retail sales rebounded strongly in May and are up 8.9 percent from a year ago. The jobs market, which until recently had remained weak, has exhibited considerable strength in recent months. In the last three months, the U.S. economy has added nearly one million net new payroll jobs.

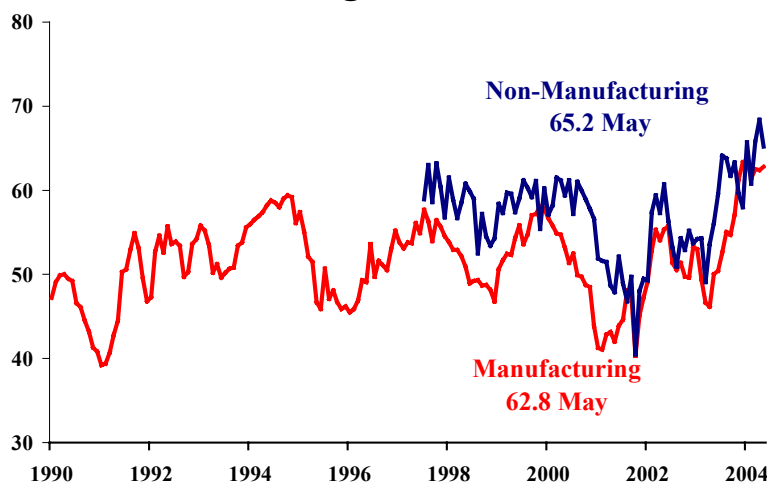
Employment: Michigan's May unemployment rate rose to 6.5 percent. Michigan payroll employment rose by 8,000 jobs. The national unemployment rate remained unchanged at 5.6 percent. In the U.S., May payroll employment rose by 248,000 jobs.

Auto Industry: May light vehicle sales rose sharply to 17.8 million. Compared to a year ago, the three-month average of vehicle production was up 4.0 percent nationally and up 2.2 percent in Michigan. Light vehicle inventories were up 5.6 percent from a year ago.

Inflation: Compared to a year ago, overall U.S. consumer prices rose 3.1 percent. However, excluding volatile food and energy prices, "core" consumer prices rose only 1.7 percent.

Michigan Metro Areas: Seasonally unadjusted May unemployment rates ranged between 3.6 percent (Ann Arbor MSA) and 8.3 percent (Flint MSA) for the twelve major labor market areas. County unemployment rates ranged between 3.0 percent (Mackinac and Washtenaw) and 12.5 percent (Keweenaw).

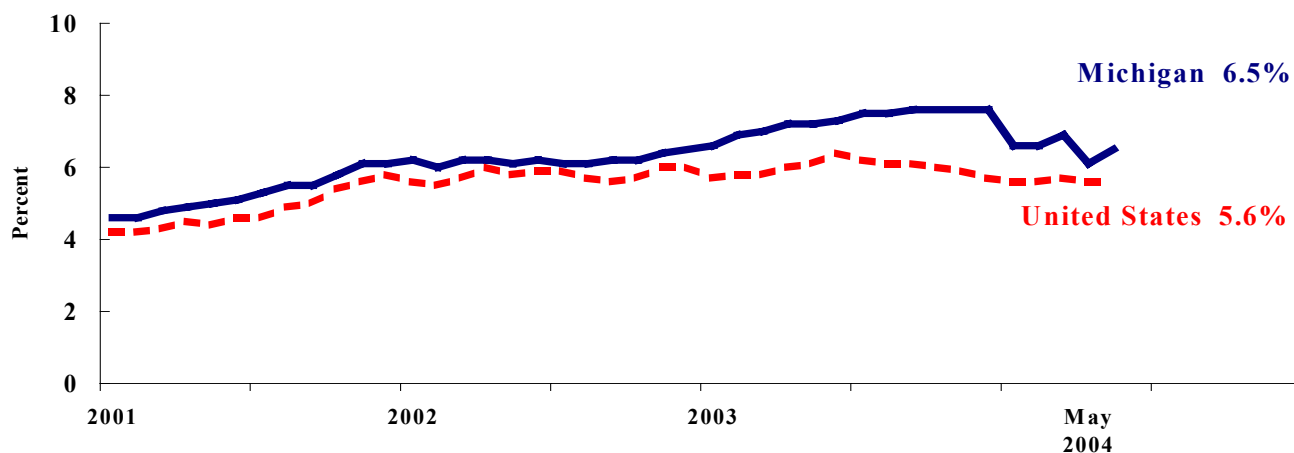
ISM Indices Signal Continued Growth ⁽ⁱ⁾



Labor Market Statistics

- Michigan's May monthly unemployment rate increased 0.4 percentage points to 6.5 percent. A significant increase in the labor force led to the higher unemployment rate (see below). The current Michigan jobless rate is 0.7 percentage points below a year ago. The May U.S. unemployment rate remained unchanged from last month at 5.6 percent and was 0.5 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Career Development and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,738,000 in May, up 12,000 from last month, while the labor force increased significantly by 38,000. Therefore, the statewide total number of unemployed increased by 26,000 to 332,000.
- United States household employment totaled 138.8 million persons in May, up 196,000 from April. The labor force increased by 233,000 from last month, which meant that there were 39,000 more unemployed people nationally, compared to April 2004.

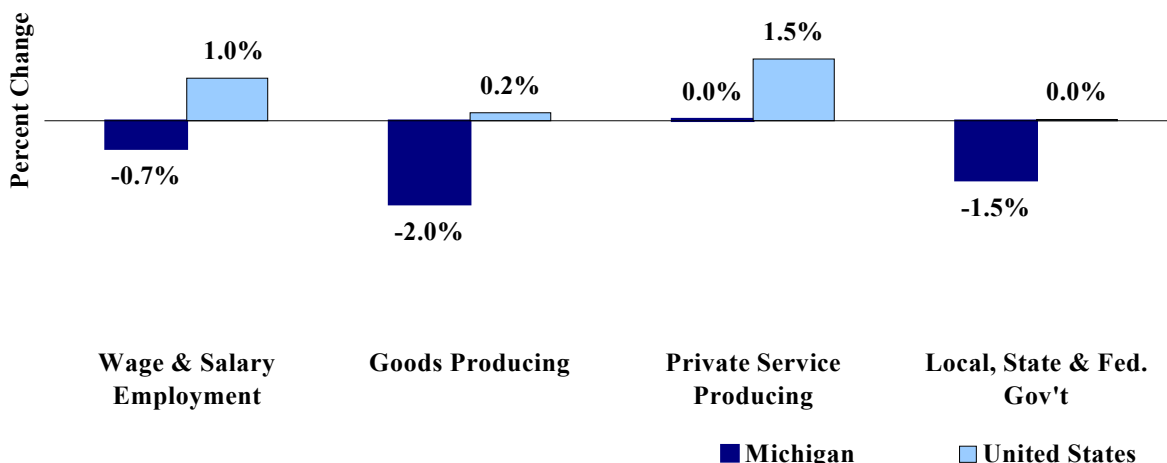
Employment by Place of Residence (in thousands)^(a)

					Change From			
	2003	Mar	Apr	May	Prior Month		Last Year	
	Average	2004	2004	2004	Level	%	Level	%
Michigan								
Labor Force	5,042	5,075	5,032	5,070	38	0.8%	n.a.	n.a.
Employed	4,674	4,723	4,726	4,738	12	0.3%	n.a.	n.a.
Unemployed	368	352	306	332	26	8.5%	n.a.	n.a.
Unemployment Rate	7.3%	6.9%	6.1%	6.5%	n.a.	0.4% pts	n.a.	-0.7%
United States								
Labor Force	146,510	146,650	146,741	146,974	233	0.2%	n.a.	n.a.
Employed	137,736	138,298	138,576	138,772	196	0.1%	n.a.	n.a.
Unemployed	8,774	8,352	8,164	8,203	39	0.5%	n.a.	n.a.
Unemployment Rate	6.0%	5.7%	5.6%	5.6%	n.a.	0.0% pts	n.a.	-0.5%

Employment by Place of Work

- From May 2003 to May 2004, Michigan wage and salary employment declined 30,000 (0.7 percent). State wage and salary employment grew 8,000 from April. Nationally, May 2004 wage and salary employment rose 1,351,000 (1.0 percent) from a year ago, and was up 248,000 from April 2004.

Wage and Salary Employment Growth May 2003 to May 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector, Michigan May employment fell 2.0 percent from a year ago, while private service-producing sector employment remained unchanged compared to last year. From a year ago, May national employment in the goods-producing sector rose 0.2 percent and increased 1.5 percent in the private service-producing sector.
- Manufacturing weekly hours rose in Michigan by 0.5 hours compared to last year.

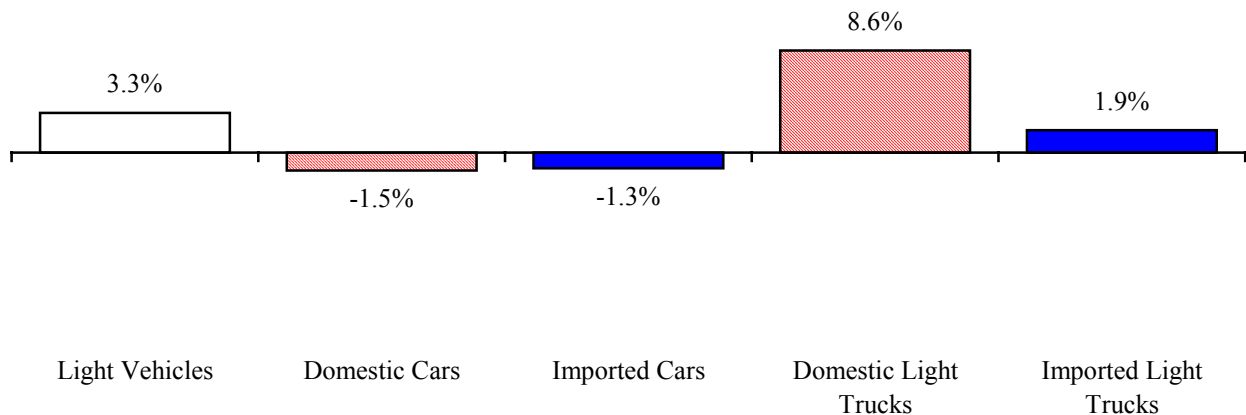
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2003 Average	May 2003	May 2004	Percent Change	2003 Average	May 2003	May 2004	Percent Change
Wage & Salary Employment	4,412	4,425	4,395	-0.7%	129,931	129,873	131,224	1.0%
Goods Producing	925	930	911	-2.0%	21,817	21,859	21,902	0.2%
Manufacturing	727	731	713	-2.5%	14,525	14,574	14,405	-1.2%
Private Service Producing	2,805	2,807	2,808	0.0%	86,538	86,473	87,775	1.5%
Trade, Trans. & Utilities	815	816	806	-1.2%	25,275	25,302	25,491	0.7%
Services	1,700	1,701	1,717	0.9%	50,092	49,981	51,077	2.2%
Local, State & Fed. Gov't	681	688	678	-1.5%	21,575	21,541	21,547	0.0%
Manufacturing Weekly Hours	42.1	42.0	42.5	0.5 hrs	40.4	40.2	41.1	0.9 hrs

Motor Vehicle Industry Sales

- Light vehicle sales rose sharply in May to a 17.8 million unit rate, up 8.6 percent from last month and 9.2 percent from a year ago.
- Compared to a year ago, domestic sales were up 9.0 percent while foreign sales increased 10.2 percent. Auto sales rose 7.8 percent while light truck sales increased 10.4 percent. Light vehicle inventories rose 5.6 percent while days supply fell by one day to 66 days.
- Year-to-date 2004 light vehicle sales are up 3.3 percent compared to last year. Domestic light truck sales are up 8.6 percent for the year, while import light truck sales are up 1.9 percent year-to-date in 2004. Domestic car sales are down 1.5 percent year-to-date while import car sales are down 1.3 percent.

2004 Light Vehicle Sales Slightly Up Year-to-Date



Motor Vehicle Sales Statistics

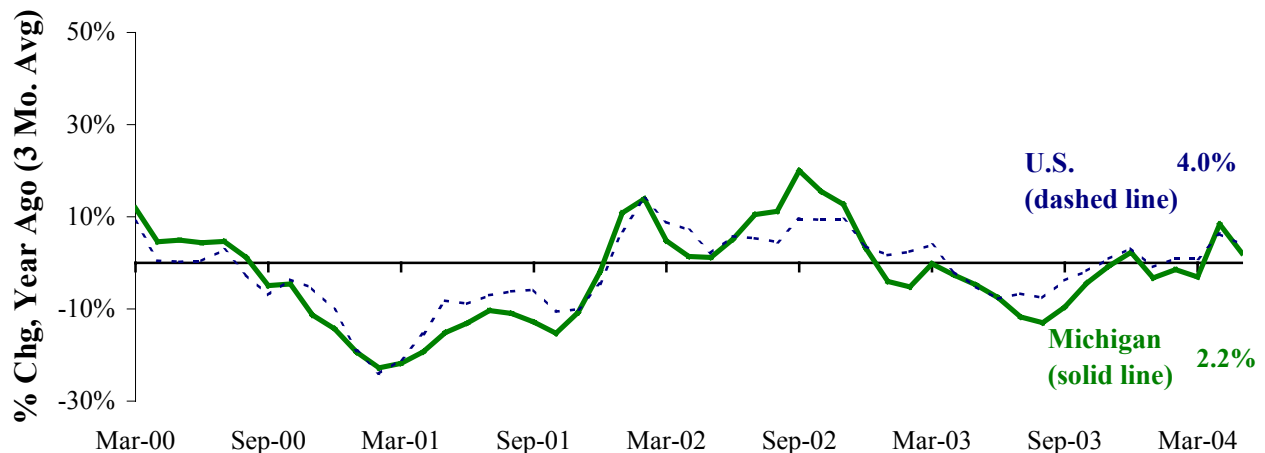
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2003	Mar	Apr	May	3 Month	Change from	
	Average	2004	2004	2004	Average	Level	%
Autos	7.6	7.7	7.4	8.0	7.7	0.6	7.8%
Domestics	5.5	5.6	5.2	5.7	5.5	0.3	5.7%
Imports	2.1	2.1	2.2	2.3	2.2	0.3	13.5%
Import Share	27.4%	27.6%	29.8%	29.1%	28.8%	1.5% pts	
Light Trucks	9.0	8.9	9.0	9.8	9.2	0.9	10.4%
Domestics	7.8	7.6	7.8	8.5	8.0	0.9	11.4%
Imports	1.2	1.3	1.2	1.3	1.2	0.1	4.5%
Import Share	13.5%	14.1%	12.8%	12.9%	13.3%	-0.7% pts	
Total Light Vehicles	16.6	16.6	16.4	17.8	16.9	1.5	9.2%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	34.0%
Total Vehicles	17.0	17.0	16.8	18.2	17.3	1.6	9.7%
U.S. Light Vehicle Inventories ^(d)		Mar-04	Apr-04	May-04	3 Month	Change	
Total Car	1.552	1.652	1.668	1.562	1.627	-0.048	
Days Supply	63	62	67	55	61	-5 days	
Total Truck	2.151	2.521	2.601	2.546	2.556	0.267	
Days Supply	74	81	87	75	81	2 days	

Motor Vehicle Industry Production

- At 216,917 units, May Michigan light vehicle production decreased 14.5 percent from a year ago, compared with a 5.0 percent decline nationally. From a month ago, Michigan production fell 14.1 percent while national production declined 6.0 percent.
- Compared with a year ago, state car production fell 27.7 percent while state truck production rose 3.9 percent. Nationally, car production declined 12.8 percent while truck production was essentially unchanged.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was up 2.2 percent from a year ago, compared with a 4.0 percent increase nationally.

Trend Light Vehicle Production Up Slightly in Michigan and Nationwide



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Mar 2004	Apr 2004	May 2004	3 Month Average	Change from Year Ago	
						Level	%
U.S. Production ^(e)							
Autos	376.4	425.3	392.9	354.7	391.0	(52.1)	-12.8%
Trucks	634.6	782.9	693.9	666.9	714.6	(2.0)	-0.3%
Total	1,011.0	1,208.2	1,086.8	1,021.7	1,105.6	(54.0)	-5.0%
Michigan Production ^(f)							
Autos	127.2	136.6	126.6	107.0	123.4	(40.9)	-27.7%
Trucks	104.8	140.3	126.0	109.9	125.4	4.2	3.9%
Total	232.0	276.9	252.6	216.9	248.8	(36.8)	-14.5%
Michigan as % of U.S.	22.9%	22.9%	23.2%	21.2%	22.5%	-2.4% pts	

May 2004 Unemployment Rates Fell in Eleven Major Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, May 2004 unemployment rates fell in eleven major labor market areas and remained unchanged in one area. Four major labor market areas reported declines of 1.0 percentage point or more. The median decline was 0.7 of a percentage point.

The Grand Rapids MSA reported the largest decline from a year ago (1.4 percentage points) followed by the Upper Peninsula and the Northeast Lower Michigan area (1.3 percentage points) and the Jackson MSA (1.1 points). The Northwest Lower Michigan area and Flint MSA reported the next largest decline (0.9 of a percentage point). The unemployment rate was unchanged in the Lansing MSA compared to a year ago.

May 2004 unemployment rates ranged between 3.6 percent (Ann Arbor) and 8.3 percent (Flint). Compared to April's unemployment rates, all nine MSAs reported higher unemployment rates. The three non-MSAs all reported seasonal unemployment rate declines ranging between 0.9 of a percentage point and 1.8 percentage points.

Compared to May 2003, unemployment rates fell in 71 counties, rose slightly in five counties and were unchanged in the other seven counties.

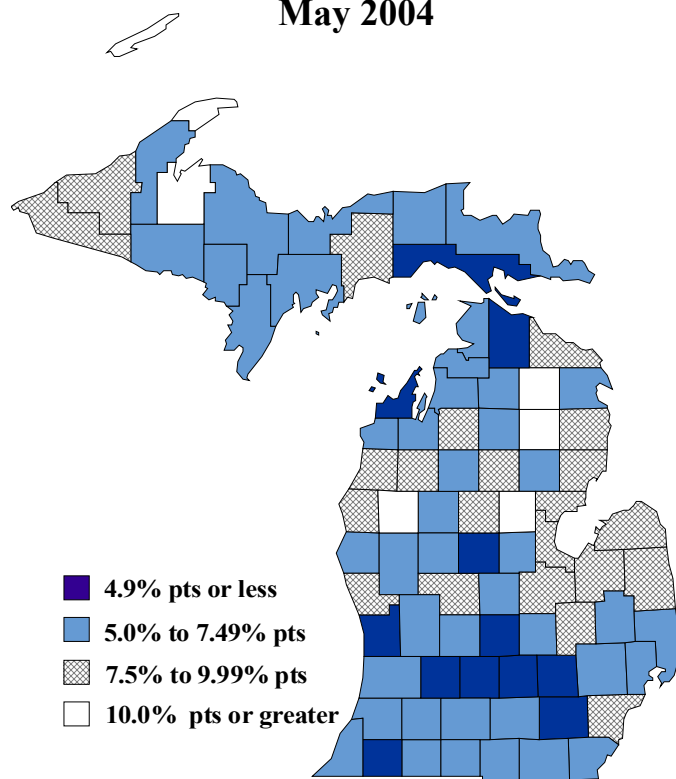
Among Michigan's 83 counties, 78 counties reported a May unemployment rate of 10.0 percent or lower. Fourteen counties recorded an unemployment rate of 5.0 percent or less.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>May 2003 Rate</u>	<u>May 2004 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	6.9%	6.3%	6.7%
Ann Arbor MSA	3.9%	3.6%	3.8%
Benton Harbor MSA	6.8%	6.3%	6.6%
Detroit PMSA	7.0%	6.6%	6.8%
Flint MSA	9.2%	8.3%	8.6%
GR-Musk-Holl MSA	7.5%	6.1%	6.4%
Jackson MSA	7.6%	6.5%	6.8%
Kal-Battle Creek MSA	5.9%	5.6%	5.9%
Lansing MSA	4.4%	4.4%	4.6%
Sag-Bay-Midland MSA	7.8%	7.4%	7.9%
Upper Peninsula	7.4%	6.1%	7.5%
Northeast Lower Mich	8.6%	7.3%	9.8%
Northwest Lower Mich.	7.2%	6.3%	7.7%

Source: Michigan Department of Labor and Economic Growth. Due to methodological changes beginning in January 2004, household employment and unemployment level data are not comparable to earlier months.

Unemployment Rates May 2004



U.S. Economic Conditions

	<u>Feb-04</u>	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	94.4	95.8	94.2	90.2	-1.9 points
ISM Manufacturing Index ⁽ⁱ⁾	61.4	62.5	62.4	62.8	12.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	60.8	65.8	68.4	65.2	9.1 points
	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	
Business Executives' Confidence ⁽ⁱ⁾	60.0	67.0	66.0	73.0	20.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Feb-04</u>	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	186.2	187.4	188.0	189.1	3.1%
Detroit CPI	183.4	NA	184.7	NA	1.4%
U.S. Producer Price Index	145.4	145.3	146.2	147.3	3.7%
INTEREST RATES					
90 Day T-Bill ^(l)	0.92%	0.94%	0.94%	1.04%	-0.04% points
Aaa Corporate Bonds ^(m)	5.50%	5.33%	5.73%	6.04%	0.82% points
INDUSTRIAL PRODUCTION ^(m)					
	114.8	114.8	115.7	116.9	6.3%
CAPACITY UTILIZATION ^(m)					
	76.7%	76.6%	77.1%	77.8%	3.7% points
RETAIL SALES ⁽ⁿ⁾					
	\$327.0	\$333.8	\$331.9	\$335.8	8.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Feb-04</u>	<u>Mar-04</u>	<u>Apr-04</u>	<u>May-04</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.895	2.000	1.981	1.967	12.5%
Existing Home Sales ^(p)	6.130	6.480	6.630	6.800	15.8%
DURABLE GOODS ORDERS ^(q)					
	\$186.4	\$197.4	\$192.3	\$189.1	12.6%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>% Change From Year Ago</u>
Michigan	\$305.5	\$308.0	\$313.2	\$316.1	4.4%
U.S.	\$9,140.7	\$9,254.3	\$9,380.5	\$9,510.1	5.2%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,288.3	\$10,493.1	\$10,600.1	\$10,702.1	3.9%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce.